CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 26, 2001

H. R. 6
Marriage Penalty and Family Tax Relief Act of 2001

As ordered reported by the House Committee on Ways and Means on March 22, 2001

SUMMARY

The Marriage Penalty and Family Tax Relief Act of 2001 would increase the basic standard deduction for a married couple filing a joint return to twice that of a taxpayer filing a single return. Also, starting in 2004, the bill would expand gradually the 15-percent regular income tax rate bracket for a married couple filing a joint return so that the bracket becomes twice the size of the rate bracket of a taxpayer filing a single return in 2009 and thereafter. In addition, the bill would increase the alternative minimum tax (AMT) exemption amount for a married couple filing a joint return by $1,000 in 2005, by an additional $500 in 2006, and by an additional $500 every other year thereafter.

H.R. 6 also would repeal the provision in current law that offsets the refundable child credit and earned income credit by the amount of the AMT. For married taxpayers who file a joint return, the bill would increase the amount of earned income used to calculate the earned income credit (EIC) to 110 percent of the amount used by all other taxpayers eligible for the EIC. In addition, starting in 2001, the bill would gradually increase the child tax credit, which would reach $1,000 per qualifying child in 2006 and remain at that level thereafter. The bill would also make refundable a portion of the child tax credit for all families, not just those with three or more children as under current law. Unless otherwise noted, provisions in the bill would be effective on January 1, 2002.

The Joint Committee on Taxation (JCT) estimates that the bill would decrease revenues by $4 million in 2001, by $98.9 billion over the 2001-2006 period, and by $354.4 billion over the 2001-2011 period. In addition, JCT estimates that the bill would increase direct spending by about $1 million in 2001, by $17.6 billion over the 2001-2006 period, and by $44.9 billion over the 2001-2011 period. Because the bill would affect receipts and direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R.6 is shown in the following table. JCT provided all revenue and outlay estimates of provisions for the bill.

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGES IN REVENUES						
Estimated Revenues	-4	-8,456	-11,199	-17,843	-26,182	-35,244
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	1	1,463	2,950	3,673	4,368	5,101
Estimated Outlays	1	1,463	2,950	3,673	4,368	5,101

SOURCE: Revenues and outlays are estimated by the Joint Committee on Taxation. Budget authority is estimated by the Congressional Budget Office.

Most of the budgetary effects of H.R. 6 are reductions in revenues. However, H.R. 6 also would increase outlays by increasing the child tax credit and making it refundable for taxpayers with one or two children, and by increasing the earned income amount used by married taxpayers to calculate the EIC. Those changes would increase child and earned income tax credits, both of which are refundable under the tax code and counted in the budget as outlays to the extent that taxpayers receive net payments. In addition, H.R. 6 would reduce the amount of taxes owed by increasing the standard deduction and expanding the 15-percent tax bracket, among other changes, resulting in a larger portion of tax credits being refundable--and thus recorded as outlays rather than reductions in revenues.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	-4	-8,456	-11,199	-17,843	-26,182	-35,244	-42,516	-47,645	-52,324	-54,947	-58,002
Changes in outlays	1	1,463	2,950	3,673	4,368	5,101	5,772	5,650	5,449	5,303	5,149

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Erin Whitaker

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Robert A. Sunshine
Assistant Director for Budget Analysis